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TAGS: [EFIN](#) [ELAB](#) [ENRG](#) [KDEM](#) [PGOV](#) [PHUM](#) [PREL](#) [EC](#)
SUBJECT: ECUADOR: PROPOSALS ILLUMINATE KEY ISSUES FOR
CONSTITUENT ASSEMBLY

REF: A. QUITO 1655
[1](#)B. QUITO 1785
[1](#)C. QUITO 1488
[1](#)D. QUITO 955
[1](#)E. GUAYAQUIL 363

Classified By: DCM JEFFERSON T. BROWN FOR REASON 1.4 (D)

SUMMARY

[1](#)1. (C) Ecuadorian political parties and civil society groups have put forward a variety of proposals for the new constitution, which will be drafted by the Constituent Assembly to be elected on September 30. Some of the major issues Assembly members are likely to address include the extent of state control over natural resources and the broader economy, dollarization, social needs, banking and labor reforms, and new formulas governing central government-provincial power and revenue sharing. They will also consider means to depoliticize government oversight institutions, democratize politics, and reform the courts. The Constituent Assembly's greatest challenge will be to achieve sufficient consensus behind the new constitution to help build respect for the rule of law.

CONESUP TO ASSEMBLE DRAFT CONSTITUTION

[1](#)2. (U) President Correa requested on February 28 that the National Council of Higher Education (CONESUP) collect and catalogue proposals for the new constitution from individuals and political organizations and then draft a proposed constitution. CONESUP has made the proposals available on its website. It released the first part of its draft constitution on August 24.

[1](#)3. (SBU) Like the current constitution, the version elaborated by the Constituent Assembly will likely be a complex document. Rather than sketching a broad framework for government institutions like its U.S. counterpart, the Ecuadorian constitution traditionally includes numerous specific -- and sometimes impractical -- provisions.

[1](#)4. (C) How the issues will be addressed in the Constituent Assembly will depend on who is elected September 30. Some groups, including Correa's Acuerdo PAIS movement, have laid out in general terms an agenda they would like to address in the Constituent Assembly. (Note: Acuerdo PAIS includes the groups in Alianza PAIS together with New Country Citizens and Democratic Alternative.) Many groups, particularly those of the center-right, appear to be focused as much or more on blocking certain radical reforms rather than offering their own blueprint. A nationwide early August poll by the firm Informe Confidencial (shared privately with us) showed 51 percent favoring candidates that support the Correa

government and 19 percent favoring candidates that oppose the government. Politics in Ecuador are volatile, the apportionment rules for seats are very complicated, and polls also show most have not decided yet how to vote, so it is too early to know how solid Correa's ability to control the Assembly will be.

¶5. (U) A preview of major issues the Assembly will consider follows:

¶I. DOLLARIZATION

¶6. (C) Dollarization could be a thorny issue in the Constituent Assembly. The current constitution names the sucre as Ecuador's official currency. Dollarization is popular with most Ecuadorians for the stability that it has brought, but some Ecuadorians resent dollarization (mainly for nationalistic reasons). In the Informe Confidencial poll, 76 percent favored maintaining dollarization and 18 were opposed. Even Correa and fellow leftists who oppose dollarization in the long term have acknowledged its short-term practical necessity and popular appeal. It seems clear that the president hopes to eventually replace the dollar with a national or regional currency. Opposition parties (particularly those in Guayaquil) have tried to paint Correa as "anti-dollarization" and are making this issue one of their core campaign themes.

II. BANKING CONTROLS

¶7. (SBU) After Congress repeatedly rebuffed his proposal to substantially increase government control over the banking sector, Correa asserted that he would pursue his objectives in the Constituent Assembly (REF A). A number of leftist

members of Congress were sensitive about the impact that strong controls would have on microcredit and small financial institutions, so joined their colleagues in approving less draconian controls. Therefore this issue may not play out along left/right lines in the Constituent Assembly, even though it appears to be a priority issue for Correa.

III. ROLE OF THE STATE IN THE ECONOMY

¶8. (SBU) Economic reform is likely to be the centerpiece of Correa's plan for the new constitution. His administration has publicly stated its goal of creating a thus-far ill-defined socialist economic model of "social inclusion." They have not clearly articulated how this would be addressed by constitutional reform, but may seek provisions to strengthen state regulation of major utilities, intervention to offset "market failures," promotion of micro-enterprises, and a focus on developing the domestic market. Center-right delegates, if they were to gain a sizeable share of the seats, would be focused on preventing any significant redefinition of the state's role in the economy.

IV. NATURAL RESOURCES

¶9. (SBU) Leftists envision some form of increased state control and greater state share of Ecuador's oil and mineral resources. In an August interviews, new Energy Minister Galo Chiriboga stated that Ecuador would only work with state-owned oil companies like PDVSA or Petrobras. Renegotiation of contracts with transnational corporations to comply with the new 2006 hydrocarbons reform law, pending since the beginning of the administration, is a popular topic. Many claim that Ecuadorians should benefit more from their natural resources. Center-rightists want to keep the status quo, where more efficient private sector concessionaires exploit state-owned resources while paying royalties.

¶V. LABOR REFORM

¶10. (SBU) Correa administration officials have indicated that they will pursue labor reform in the Constituent Assembly rather than through dialogue with organized labor

and business. The Correa administration has also stated its intention to include a constitutional prohibition of subcontracting. Ecuador's antiquated labor code needs to be updated, but previous efforts to bring some sort of consensus between employers and employees have floundered. One provision in the CONESUP draft would mandate use of mediation to resolve labor conflicts. It is not clear what changes the Correa administration, labor, or business sector will pursue in the Constituent Assembly.

VI. BALANCE OF POWER AND DECENTRALIZATION

¶11. (SBU) Candidates of all stripes are addressing the need for a balance of powers between various branches of government and between national and local governments. Four of the five candidates on an August 1 panel of Assembly candidates (Ref B), including government supporters and opponents, stressed the importance of avoiding a concentration of power.

¶12. (SBU) Many sectors of Ecuadorian society consider decentralizing the government structure a huge priority. Opposition leader and Social Christian Party Guayaquil Mayor Jaime Nebot has long championed decentralization, and leaders of less wealthy provinces consistently complain about an undue focus on Quito and Guayaquil. Local authorities are often seen as more effective in delivering services than the federal government, but any discussion about decentralization will be fraught with tension over how to divvy up funding.

¶13. (C) One proposal is to consolidate existing provinces to form larger regions. It appears that the government favors creating regions of some sort. Former president and Patriotic Society Party leader Lucio Gutierrez explained to us his proposal for four large regions cutting across the country so that each includes coastal, mountainous, and Amazon lowland areas.

¶14. (C) Other groups seek guarantees of autonomy for indigenous groups. Congressman Ramsses Torres of the indigenous Pachakutik movement told us he lacked confidence in the government's support for such autonomy.

VII. PRESIDENTIAL REELECTION

¶15. (C) Ecuador's current constitution does not allow presidential reelection. Since no president in the past ten years has finished his term, this has never been challenged by any president or political party. There is growing support for reelection, although some believe it would be appropriate only after at least one intervening term. President Correa has been careful not to publicly promote a reelection clause, but he clearly supports it and considers it illogical that the presidency is the only elected office without reelection. Quito Vice Mayor Andres Vallejo of the Democratic Left Party told us he considers presidential reelection a reasonable arrangement for other countries, but not one that should apply in Ecuador.

VIII. CONGRESS AND POLITICAL PARTIES

¶16. (SBU) Another goal of the Constituent Assembly is to reform and democratize Ecuador's political parties. Most of the parties in the current system are led by "caudillo" strongmen who run the parties like their personal fiefdoms. Democracy activists want to democratize internal party workings through, for example, a primary system. The major established parties have been conspicuously silent on this topic.

¶17. (SBU) Another popular target for reform in the Assembly is Congress, which has a 6% credibility rating. Most Ecuadorians support a switch from proportional representation to single-member or two-member districts. Under this system, representatives would be more directly accountable to their constituents.

IX. COURTS AND REGULATORY BODIES

¶18. (SBU) Many Ecuadorians consider other political structures dysfunctional as well and want to depoliticize government regulatory bodies and courts. Currently, seats in these institutions are allocated based on a party's representation in Congress, creating a dangerous conflict of interest. Some proposals suggest direct election of such officials. Ecuadorian NGO Citizen Participation ExecDir Jose Valencia told us his group recommended dividing the Supreme Electoral Tribunal into two bodies, one linked to political parties that would administer elections and a separate independent body that would investigate campaign violations.

¶19. (SBU) Proposals from Ecuadorians of all political stripes support reorganizing the judicial system to establish a clear court of last resort. Ecuador has several high courts, all of which have supreme authority in their respective areas. Most propose placing these courts as sub-courts under the jurisdiction of either the Supreme Court or the Constitutional Tribunal and more clearly defining the jurisdiction of each court. Other state institutions may be reorganized as well.

¶X. FOREIGN TROOPS IN ECUADOR

¶20. (SBU) President Correa and other nationalists have declared that Ecuador should not allow foreign troops on its soil, although he has publicly stated his intention to respect the terms of Ecuador's agreement allowing the U.S. military's presence in its Forward Operating Location in Manta until it expires. The No Bases Coalition, made up of 15 leftist groups, proposed to CONESUP in mid-August the following language, "Ecuador is a territory of peace and, in exercise of its sovereignty, will not host foreign military bases or foreign troops, and will refrain from signing any agreement which implies other forms of foreign military presence."

WILL THE ASSEMBLY ALSO LEGISLATE?

¶21. (C) Following set-backs this summer with the current Congress, which has rejected several Correa legislative initiatives, Correa has called for the Constituent Assembly to dissolve Congress for corruption and incompetence (Ref C), not waiting until new constitution goes into effect. Members of Congress are split on the issue. Some groups ideologically close to Acuerdo PAIS, such as Pachakutik, oppose the dissolution of Congress. Opponents of dissolution claim that it would give Correa total control of the government (assuming Correa controls the Assembly).

¶22. (C) Whether or not the Constituent Assembly actually throws out the Congress, the Constituent Assembly could create a legislative commission to pass urgent laws (REF D), justifying it as part of its complete powers. If so, the

Constituent Assembly would acquire an even more complicated agenda by trying to set the broad policy directions for Ecuador while also entering into detailed discussion of drafting legislation.

COMMENT

¶23. (C) The proposed changes to the Ecuadorian constitution are a mixed bag that run the gamut from necessary and long-overdue to completely unrealistic. Because of the specific nature of the document, many Ecuadorians expect the new constitution to address a number of problems that laws have failed to solve. For this reason, many may be disappointed with what the Constituent Assembly achieves. If the Assembly is able to draft reforms that depoliticize institutions and democratize politics, Ecuador could be better positioned to deal with its challenges in a stable, democratic fashion. However, successful constitutional reform depends on widespread consensus and respect for the rule of law, two elements not often on display here.

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